

CITY UNION BANK LTD.

Sector

Dec 22, 2025

Buy at CMP: Rs 278.8 | Target: Rs 310 (11%) | SL: Rs 260

Bank

City Union Bank Limited is engaged in providing a wide range of banking and financial services including commercial banking and treasury operations.

Investment Rationale

- ♦ **City Union Bank Delivers Decade-High Q2 Credit Growth:** City Union Bank achieved an 18% year-on-year advance growth in Q2 FY'26, increasing its advances to INR 57,561 crores. This 18% credit growth is noted as the highest achieved in Q2 over the past decade. The bank's credit growth is expected to maintain momentum, aiming to be 2% to 3% higher than the industry growth rate. The positive momentum is attributed partly to the steady growth of the secured Retail portfolio alongside the core strength of MSME lending, supported by the transformation project and creation of capacity in sales and processing verticals.
- ♦ **Asset Quality Strengthens as Recoveries Outpace Slippages:** The bank is continuing the trend of recoveries surpassing slippages. For Q2 FY'26, total slippages were INR 156 crores, while total recoveries stood at INR 303 crores. The Gross NPA percentage reduced to 2.42% in Q2 FY'26 (from 2.99% in Q1 FY'26). Significantly, the Net NPA percentage reduced to 0.90%, falling below 1% after 46 quarters. The ratio of Special Mention Accounts (SMA), including SMA0, 1, and 2, has shown significant improvement, standing at 5.60% for the current quarter. Management anticipates that recoveries will surpass slippages for the next two quarters.
- ♦ **Strong Deposit Growth and Lower Funding Costs Lift NIM:** Deposits grew by 21% year-on-year, reaching INR 69,486 crores for Q2 FY'26. The sequential cost of deposits reduced by 24 basis points (bps), which was higher than the anticipated 10 bps to 12 bps. The Net Interest Margin (NIM) increased to 3.63% in Q2 FY'26, up from 3.54% in Q1 FY'26. This increase was helped by the faster repricing of maturing high-cost term deposits (those maturing are repricing from 8.1% to around 6.75%-7%) and the fixed-rate nature of 30% of gold loans. Management expects the NIM to remain stable with a positive bias in Q3 and Q4.
- ♦ **Valuations:** We model a Revenue/PAT CAGR of 7%/8% and estimate CUB to clock PAT of Rs 1,429 Cr by FY28E. CUB is trading at forward P/B(x) of 1.37x and we value at 1.52(x) FY28E and Recommend BUY on CUB with TP Price of Rs. 310 (11%).

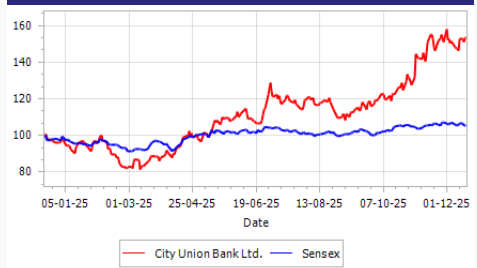
Script Details

BSE Group	A
BSE Code	532210
NSE Code	CUB
Bloomberg Code	CUBK IN
Market Cap (INR Cr.)	20,415
Free Float (%)	100.0%
52wk Low/High	284/144
Beta (1yr Nifty 50)	0.91
Face Value (INR)/ D. Yield (%)	1/0.7
Total paid Up Shares (Mn.)	742.1

Share Holding Pattern (%)

FII's	DII's	Public
45.0%	20.8%	34.2%

Share Price Relative Performance



Invest Now

Year	Revenue	PAT	P/B
FY23	4,714	937	2.46
FY24	5,271	1,016	2.19
FY25	5,834	1,124	1.95
FY26E	6,242	1,248	1.73
FY27E	6,679	1,336	1.54
FY28E	7,147	1,429	1.37

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- CUB has delivered a multiyear breakout on the monthly chart in November, and the current month is showing clear follow-through, highlighting continuation of bullish momentum.
- On the weekly timeframe, the stock is comfortably sustaining above its 56-week EMA despite ongoing market volatility, indicating strong relative strength.
- On the daily chart, CUB has recently exhibited a bullish mean reversion from the 20-DEMA and has broken out of a four-day consolidation range, further reinforcing the positive outlook.
- Momentum indicators remain supportive, with the MACD trending higher, signaling acceleration in upside momentum.
- Given this robust alignment across multiple timeframes, the stock looks poised to advance toward an upside target of 310, while a closing-basis stop loss at 260 is advised to manage risk effectively.



 TradingView

Source: Tradingview.in, GEPL Research

Inference & Expectations

- Considering these factors, it can be inferred that CUB stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 310 level.
- The stop loss must be at 260 level, strictly on the closing basis.

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